

TEACHERS' RETIREMENT BOARD

INVESTMENT COMMITTEE

SUBJECT: Report of the Chief Investment Officer

ITEM NUMBER: 13

ATTACHMENT(S): 5

ACTION: _____

DATE OF MEETING: July 8, 1998

INFORMATION: X

PRESENTER(S): Mr. Mitchell

The following is a summary of the developments in the financial markets that have occurred between June 1, 1998 and June 23, 1998.

1. The yield on the 30 year U.S. Treasury security has decreased from 5.80% to 5.70%. The market value of the S&P 500 Index has increased from 1,091 to 1,106.
2. The U.S. dollar weakened compared to the yen (139 to 138), pound sterling (1.63 to 1.67), and mark (1.79 to 1.78).
3. The Federal Reserve Board of Governors next scheduled meeting is June 30, 1998. Short term interest rates are expected to remain unchanged.
4. The Japanese yen traded at 147 yen to the dollar for the first time since July 1991. This represents a 80% retracement from the lows established in April 1995.
5. The yield to maturity on the 30 year U.S. Government bond reached 5.57% which represents the record low yield since the 30 year bond was first auctioned in the 1970's.

NOTE: Attachment 1, pages 1 and 2 are not available in electronic format at this time.

California State Teachers' Retirement System
Off Balance Sheet Transactions
For the period ended May 31, 1998

Attachment I
Page 3

<i>Currency Hedging - Market Value (amounts in millions)</i>						
Managers	Pacific Basin		European		Total	
Active International	\$1,232.29	15.2%	\$ 4,127.76	3.1%	\$5,360.05	5.9%
Passive International	\$3,349.92	17.8%	\$ 8,020.37	3.1%	\$11,370.29	7.4%
Global	\$ 171.11	0.4%	\$ 1,134.84	19.1%	\$1,305.95	16.7%
* Does not include emerging market securities, Canadian stocks, cash or accruals.						

<i>Currency Realized Gains/(Losses) (amounts in millions)</i>			
Managers	Currency Realized Gains/(Losses)		
	1 Month	1 Year	Since Inception
Active International	\$5.62	\$36.29	\$120.84
Passive International	\$6.22	\$105.75	\$441.81
Global	(\$1.08)	\$2.37	\$94.49

<i>Securities Lending Income</i>			
Asset	Current Fiscal Year		Prior Fiscal Year
	7/97-5/98	vs.	7/96-5/97
Domestic Equity	\$10,561,657		\$6,627,143
International Equity	\$17,429,730		\$14,071,013
US Treasury	\$15,384,413		\$17,335,721
Other Fixed Income Securities	\$1,642,626		\$2,490,780
Total Income	\$45,018,426		\$40,524,657

<i>Securities Lending (On-Loan/Collateral Summary)</i>			
Asset	Securities On-Loan	Collateral Valuation	Percent
Domestic Equity	\$2,776,789,373	\$2,876,482,221	104%
International Equity	\$3,349,433,537	\$3,515,014,485	105%
US Treasury	\$7,925,659,318	\$8,070,442,579	102%
Other Fixed Income Securities	\$956,482,902	\$976,650,472	102%
Total Value	\$15,008,365,130	\$15,438,589,757	103%

NOTE: Attachment 2 is not available in electronic format at this time.

California State Teachers' Retirement System
Global Managers
As of May 31, 1998

TC46 BARING INTERNATIONAL INVESTMENT LTD.					
Region	Stocks	Bonds	Net Forward Position	Net Exposure	%
Pacific Basin	\$38,075,121	\$22,433,235	(\$33,058,932)	\$27,449,424	3.13%
Europe	\$251,240,731	\$179,708,935	(\$77,534,214)	\$353,415,452	40.36%
Canada	\$0	\$4,279,565	\$0	\$4,279,565	0.49%
Emerging Markets	\$56,026,682	\$4	\$0	\$56,026,686	6.40%
Total Non-Dollar	\$345,342,534	\$206,421,739	(\$110,593,146)	\$441,171,127	50.38%
United States	\$145,500,236	\$143,363,712	\$110,593,146	\$399,457,094	45.61%
Total Invested	\$490,842,770	\$349,785,451	\$0	\$840,628,221	95.99%
Cash/Receivable/Payable				\$35,103,321	4.01%
Total Assets				\$875,731,543	100.00%

TC47 BRINSON PARTNERS, INC..					
Region	Stocks	Bonds	Net Forward Position	Net Exposure	%
Pacific Basin	\$47,978,169	\$18,643,540	\$62,681,342	\$129,303,051	16.48%
Europe	\$142,240,239	\$207,339,943	(\$96,602,187)	\$252,977,995	32.25%
Canada	\$6,141,885	\$26,514,449	(\$15,155,467)	\$17,500,867	2.23%
Emerging Markets	\$0	\$0	\$0	\$0	0.00%
Total Non-Dollar	\$196,360,293	\$252,497,932	(\$49,076,312)	\$399,781,913	50.97%
United States	\$96,946,763	\$209,461,862	\$49,076,312	\$355,484,937	45.32%
Total Invested	\$293,307,056	\$461,959,794	\$0	\$755,266,850	96.29%
Cash/Receivable/Payable				\$29,114,938	3.71%
Total Assets				\$784,381,788	100.00%

TC48 FIDUCIARY TRUST COMPANY INTERNATIONAL					
Region	Stocks	Bonds	Net Forward Position	Net Exposure	%
Pacific Basin	\$27,556,366	\$16,422,486	(\$30,345,979)	\$13,632,873	1.51%
Europe	\$217,209,205	\$137,097,500	(\$42,760,990)	\$311,545,715	34.46%
Canada	\$5,616,588	\$0	\$23,372,255	\$28,988,843	3.21%
Emerging Markets	\$27,102,521	\$9,035,935	(\$6,862,129)	\$29,276,327	3.24%
Total Non-Dollar	\$277,484,680	\$162,555,921	(\$56,596,843)	\$383,443,758	42.41%
United States	\$289,305,623	\$142,854,582	\$56,596,843	\$488,757,048	54.06%
Total Invested	\$566,790,303	\$305,410,503	\$0	\$872,200,806	96.47%
Cash/Receivable/Payable				\$31,921,326	3.53%
Total Assets				\$904,122,132	100.00%

GLOBAL MANAGERS SUMMARY					
Region	Stocks	Bonds	Net Forward Position	Net Exposure	%
Pacific Basin	\$113,609,656	\$57,499,261	(\$723,569)	\$170,385,348	6.64%

California State Teachers' Retirement System
Internal S&P 500 Portfolio

On April 1, 1998, California State Teachers' Retirement System began internal management of a \$1 billion S&P 500 portfolio. The portfolio's investment objective is to provide investment results that equal the total return of the S&P 500 Index. Table 1 below is a progress report for the month of May 1998.

Table 1

	Portfolio	Comparative Index	Difference
Total Return for Month	-1.731% ¹	-1.739% ²	+0.008%
Total Market Value	995 (\$ mil.)	8,588 (\$ bil.)	--
Exchange Representation			
NYSE	460	460	0
NASDAQ	37	37	0
AMEX	3	3	0
P/E Ratio	27.59	27.59	0
Dividend Yield	1.47	1.47	0

Total Return Since April 1, 1998	-0.711% ¹	-0.721% ²	+0.010%
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¹ Portfolio return was calculated by State Street Bank Analytics.

² The comparative index is the S&P 500 Index. The total return for the comparative index was calculated by Wilshire Associates. The S&P 500 Index return as calculated by Standard & Poor's, was 2.0 basis points higher for the month of May 1998. Since April 1, 1998, the cumulative S&P 500 Index return as calculated by Standard & Poor's, was 0.009 points lower.

The difference in calculation of Index return is largely due to the use of different pricing services. Wilshire Associates calculates the Index return based on composite closing prices. In contrast, Standard and Poor's calculates the Index return based on New York Stock Exchange closing prices. State Street Bank valued the portfolio based on composite closing prices to be consistent with that of Wilshire Associates and to accommodate performance measurement (i.e. tracking error).

California State Teachers' Retirement System**Global Managers****As of May 31, 1998**

Europe	\$610,690,175	\$524,146,378	(\$216,897,391)	\$917,939,162	35.80%
Canada	\$11,758,473	\$30,794,014	\$8,216,788	\$50,769,275	1.98%
Emerging Markets	\$83,129,203	\$9,035,939	(\$6,862,129)	\$85,303,013	3.33%
Total Non-Dollar	\$819,187,507	\$621,475,592	(\$216,266,301)	\$1,224,396,798	47.75%
United States	\$531,752,622	\$495,680,156	\$216,266,301	\$1,243,699,079	48.50%
Total Invested	\$1,350,940,129	\$1,117,155,748	\$0	\$2,468,095,877	96.25%
Cash/Receivable/Payable				\$96,139,585	3.75%
Total Assets				\$2,564,235,463	100.00%

NOTE: Attachment 5 is not available in electronic format at this time.